

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

August 16, 2004

In Reply Refer To:
Iroquois Gas Transmission System, L.P.
Docket Nos. RP98-18-012
RP98-18-013

Iroquois Gas Transmission System, L.P.
One Corporate Drive
Shelton, CT 06484

Attention: Paul W. Diehl
Senior Attorney

Reference: Negotiated Rate Tariff Sheets and Negotiated Rate Letter Agreement

Dear Mr. Diehl:

1. On July 19, 2004 and July 26, 2004, Iroquois Gas Transmission System, L.P. (Iroquois) filed tariff sheets¹ along with a letter agreement reflecting a negotiated rate for transportation service between Iroquois and Consolidated Edison Company of New York, Inc. (Con Edison) to be effective July 19, 2004.² Con Edison currently has a contract with Iroquois³ for Firm Reserved Service of up to 30,000 Dth per day from the Waddington receipt point to the Hunts Point delivery point. The letter agreement provides that the monthly demand rate for this service will be \$17.9458 per Dth for the period July 19, 2004 through February 1, 2013. The letter agreement and the tariff sheets provide that the negotiated rate agreement resolves all of Con Edison's issues with Iroquois in its pending rate case in Docket No. RP04-136, entitles Con Edison to Right of First Refusal (ROFR) rights equal to the rights of long-term firm shippers paying maximum rates under Iroquois' FERC Gas Tariff, and further provides for Con Edison to receive a lower rate if either (1) Iroquois agrees to provide another Eastchester Extension

¹ See the attached Appendix for a listing of the tariff sheets.

² Iroquois' July 26, 2004 filing in Docket No. RP98-18-013 corrected footnote 4 on Original Sheet No. 4B, reporting that the proposed negotiated rate is subject to the Measurement Variance/Fuel Use Factor as one the surcharges that Con Edison will pay under the negotiated rate agreement.

³ Iroquois Contract No. R-560-06, dated February 18, 2002.

Project (Eastchester) shipper a lower rate or (2) the finally-approved recourse rate in Docket No. RP04-136 is below the negotiated rate of \$17.9458 per Dth. The letter agreement and the tariff sheets listed in the Appendix are accepted and waiver of the notice period is granted so as to permit the tariff sheets to become effective July 19, 2004, conditioned as discussed below.

2. Public notice of the filings were issued on July 22, 2004 for Docket No. RP98-18-012 and July 28, 2004 for Docket No. RP98-18-013. Interventions and protests were due as provided in section 154.210 of the Commission's regulations. Pursuant to Rule 214 (18 C.F.R. § 385.214 (2004)), all timely filed motions to intervene and any motion to intervene out-of-time filed before the issuance date of this order are granted. Granting late intervention at this stage of the proceeding will not disrupt the proceeding or place additional burdens on existing parties. No protests or adverse comments were filed.

3. Iroquois, on January 2, 2004 in Docket No. RP04-136-000, proposed to increase the rates on its Eastchester facilities to reflect an increase in the annual revenue requirement for the project by approximately \$18 million. On January 30, 2004, the Commission accepted and suspended the proposed rates to be effective July 1, 2004, subject to refund and established hearing procedures.⁴ Iroquois in Docket No. RP04-136-000 proposed a monthly demand rate of \$25.6835 per Dth, which represented a 100 percent rate increase over the Eastchester rates approved by the Commission in the certificate proceeding.⁵ The negotiated rate in the instant filing will reduce Con Edison's monthly demand rate for Eastchester service from the \$25.6835 per Dth demand rate proposed in the Docket No. RP04-136 proceeding to \$17.9458 per Dth. Additionally, the negotiated rate proposal includes the other provisions described above.

4. Iroquois' negotiated rate agreement with Con Edison is, in essence, a settlement of the pending Eastchester rate case. While Iroquois' proposed negotiated rate for Con Edison does not appear to violate the terms of the Negotiated Rate Policy Statement,⁶ the Commission found in its July 30, 2004 Order,⁷ on a similar Iroquois negotiated rate

⁴ Iroquois Gas Transmission System, L.P., 106 FERC ¶ 61,092 (2004); *order on compliance*, 107 FERC ¶ 61,059 (2004).

⁵ Iroquois Gas Transmission System, L.P., 95 FERC ¶ 61,335 (2001); *order on reh'g*, 97 FERC ¶ 61,379 (2001).

⁶ Alternatives to Traditional Cost-of-Service Ratemaking for Natural Gas Pipeline Regulation of Negotiated Transportation Services of Natural Gas Pipelines, 74 FERC ¶ 61,076 (1996); *order on clarification*, 74 FERC ¶ 61,194 (1996); *order of reh'g*, 75 FERC ¶ 61,024 (1996); *modification of negotiated rate policy*, 104 FERC ¶ 61,134 (2003).

⁷ Iroquois Gas Transmission System, L.P., 108 FERC ¶ 61,096 (2004). (July 30, 2004 Order.)

proposal for service on Eastchester, that Iroquois should offer a similar negotiated rate on Eastchester on a not unduly discriminatory basis to any other similarly situated shippers.⁸ In addition, Iroquois' proposal provides that Con Edison, a less than maximum rate shipper, will have the same ROFR rights as section 29 of Iroquois' FERC Gas Tariff, General Terms and Conditions guarantees long-term firm shippers paying the maximum recourse rate. Since section 29 authorizes Iroquois to negotiate a contractual ROFR provision with firm shippers who would not otherwise qualify for a ROFR under that section, this provision of Iroquois' proposal is permissible.⁹ The Commission notes that the July 30, 2004 Order is equally applicable to this proceeding, and Iroquois should offer a similar negotiated rate and other provisions on Eastchester as the service proposed for Con Edison on a not unduly discriminatory basis to any other similarly situated shippers.

By direction of the Commission.

Linda Mitry,
Acting Secretary.

cc: All Parties

⁸ NorAm Gas Transmission Company, 77 FERC ¶ 61,011 at 61,035-36, 37, and 38-39 (1996).

⁹ ANR, 103 FERC ¶ 61,084, and ANR, 105 FERC ¶ 61,112 at P 16-19.

Appendix

Iroquois Gas Transmission System, L.P.

FERG Gas Tariff, First Revised Volume No. 1

Tariff Sheets Accepted Effective July 19, 2004

Substitute Original Sheet No. 6B

Original Sheet No. 6C

Tariff Sheet Rejected as Moot

Original Sheet No. 6B